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SUBJECT: MALAWI INPUT FOR 2008 PRESIDENT'S REPORT ON AGOA

REF: STATE 20082

¶1. Following is Embassy's update for the annual President's Report on AGOA, in response to reftel request. Paragraphs/topics are organized according to the report template and instructions.

¶2. Market Economy/Economic Reform/Elimination of Trade Barriers:
The Government of Malawi (GOM) has made a commitment to a market-based economy though constraints remain. Domestic and foreign investment in most sectors of the economy is encouraged and is not significantly restricted. The main constraints on investment are features of a generally poor business environment. The Government is working to reduce or eliminate various tariff and non-tariff barriers. In 2007 the Government established a dedicated Commercial Court, which has improved judicial response to commercial cases, although significant backlogs remain. Implementation of a Southern African Development Community Free Trade Area began in 2001, when member states started a phased tariff-reduction program; however, according to the Southern Africa Trade Hub, Malawi has been falling behind on implementation of its tariff-reduction schedule.

¶3. Political Pluralism/Rule of Law/Anti-Corruption: Malawi held peaceful Presidential and parliamentary elections in May 2004. International observers considered the election to have been free but have expressed some concerns regarding fairness. Constitutional power is shared between the President and the National Assembly. An ongoing dispute over constitutional floor-crossing provisions led in September 2007 to the President proroguing the opposition-controlled Parliament; as of March 2008, it has yet to be called back. Although the political stalemate is likely to continue until the next Presidential and Parliamentary elections in May 2009, democratic and rule of law norms are broadly respected. Malawi has an independent but overburdened judiciary. The Government's Anti-Corruption Bureau has actively pursued public and private sector corruption since the administration took office in May 2004. There have been a number of major convictions of government officials. Capacity constraints within the Bureau continue to slow progress, and a number of corruption cases remain pending. Anti-money laundering legislation passed in 2006 is generally in line with international standards.

¶4. Poverty Reduction: Since 1981, Malawi has undertaken economic structural adjustment programs supported by the World Bank, IMF, and other donors. Malawi met the Highly Indebted Poor Countries (HIPC) Initiative decision point criteria in December 2000 and launched its Poverty Reduction Strategy in 2002. Debt relief has enabled the Government to reduce domestic borrowing and increase expenditures for development. Malawi continues to work with international financial institutions and to use the Poverty Reduction Strategy as the central planning framework for government budgeting. Increased macroeconomic stability, good weather conditions, and improved fiscal discipline have contributed to strong growth over the past two years. Debt relief has enabled the Reserve Bank of Malawi to ease monetary policy, increasing the availability of financing, although structural constraints in the economy continue to inhibit

investment.

15. Labor/Child Labor: Workers have the right to associate freely and to bargain collectively. The Government has not been fully effective in thwarting anti-union discrimination by employers. Unions must register with the Ministry of Labor, but this is largely a formality. The Malawi labor code also applies to export processing zones. A lack of government and union capacity reduces the effectiveness of workers' rights protections. Malawi has ratified all eight core ILO Conventions. On child labor, enforcement has increased significantly in recent years, particularly in the area of forced child labor, though resource constraints continue to hamper enforcement. The incidence of child labor, particularly on tobacco farms, remains problematic. A public-private Child Labor Task Force, with membership among labor, private sector, and NGO organizations, has developed and implemented a national Code of Conduct on Child Labor. In 2007 the Ministry of Labor added 160 additional volunteer community child protection workers to the officers placed in each district of the country. There are reports that Malawian children are trafficked to other southern African countries and to Europe for purposes of forced labor and commercial sexual exploitation. The Government continues to sustain significant public awareness raising efforts against trafficking, child labor, and child sexual exploitation.

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